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*REPORT TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE*

Case Studies Of Revenue Sharing
In 26 Local Governments

ENCLOSURE C

Holt County, Nebraska

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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ABBREVIATIONS

EEOC	Equal Employment Opportunity Commission
GAO	General Accounting Office

SUMMARY

61 R. At the request of the Chairman, Subcommittee on Inter-^{\$ 1502}
governmental Relations, Senate Committee on Government
Operations, GAO conducted case studies on general revenue
sharing at 26 selected local governments throughout the
country, including Holt County, Nebraska. 276

For the period January 1, 1972, through June 30, 1974, Holt County was allocated a total of \$407,521 in revenue sharing funds, or a per capita amount of \$31.51. Of the amount allocated, \$366,573 was received by June 30, 1974, and \$40,948 was received in July 1974. The revenue sharing funds allocated to Holt County were equivalent to about 38.9 percent of its own tax collections.

The Chairman's letter listed seven areas on which the Subcommittee wanted information. Following is a brief description of the selected information GAO obtained on each area during its review of Holt County.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Holt County had expended \$328,754 through June 30, 1974, with all of it being designated for public transportation. The county's accounting records showed that within this designation, \$91,533 was used for operating and maintenance costs of county roads, \$153,814 for acquiring asphalt for road construction, \$58,137 for acquiring road building equipment, and \$25,270 for constructing a steel building to store road equipment.
2. The fiscal condition of each jurisdiction, including its surplus or debt status. An analysis of Holt County's fund balances at the end of its 1970-74 fiscal years revealed no significant increasing or decreasing trends. Holt County has no outstanding debt and has no plans to use debt financing in the future. Its policy is to finance operations on a pay-as-you-go basis. Although the increased cost of oil products used in road construction has caused expenditures to increase

at a faster rate than revenues during the last 3 fiscal years, county officials believe Holt County's fiscal condition is healthy.

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income. Property tax rates remained relatively stable until fiscal year 1974. County officials said higher tax levies in 1974 and 1975 resulted from increased requirements for county road purposes and from reappraisal of real estate in 1975. County officials said revenue sharing has helped them to avoid higher tax levies and to increase expenditures on county roads.

The percentage of a family's income that is paid to Holt County, other local governments, including school district and special district governments, and to the State government increases slightly as family income increases. The tax burden for a family of four increased from 9.4 percent of family income to 9.5 percent and 9.9 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively.

4. The percentage of the total local budget represented by general revenue sharing. Revenue sharing funds received by Holt County through June 30, 1974, totaled \$366,573. The county followed the advice of the State Auditor's office and did not budget any revenue sharing funds in fiscal year 1973. In 1974 revenue sharing accounted for \$333,455, or 20.1 percent of the county budget and 6.3 percent of the combined county and school budgets. The \$33,118 that had not been budgeted as of June 30, 1974, amounted to 2.0 percent of the county's 1974 budget.
5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. Except for revenue sharing,

Holt County has not received any direct or indirect (via Nebraska) Federal aid in recent years.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. No complaints have been filed against Holt County alleging discrimination in its employment practices or in its delivery of services. The county government work force of 71 people did not include any minorities, and we were told that no racial minorities resided in the county. About 31 percent of the county's civilian labor force were female, and females in the county government work force totaled about 37 percent.

In fiscal year 1974, the county used \$25,270 of revenue sharing funds to construct a building for storing road equipment. This was the county's only construction project. The advertised contract for the building was let without first obtaining a report of prevailing wages from the U.S. Department of Labor, as required by Office of Revenue Sharing regulations. County officials were unaware of this requirement and said they would not have approved the project if compliance with the Davis-Bacon provision meant higher than normal costs.

Because no revenue sharing funds were designated by the county government to pay salaries and wages of county employees, the prevailing wage provision did not apply.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Although the county's normal budgetary process provides for public hearings before the county board, there was little public interest or participation in these hearings. However, hearings held before the budget hearings for approving future road work plans were generally well attended. Although the county published the planned and actual use reports required by the Revenue Sharing Act, it did not take any special steps to publicize the uses of revenue sharing funds or to encourage public participation in the planned use of these funds.

CHAPTER 1

INTRODUCTION

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), commonly known as the Revenue Sharing Act, provides for distributing about \$30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The funds provided under the act are a new and different kind of aid because the State and local governments are given wide discretion in deciding how to use the funds. Other Federal aid to State and local governments, although substantial, has been primarily categorical aid which generally must be used for defined purposes. The Congress concluded that aid made available under the act should give recipient governments sufficient flexibility to use the funds for their most vital needs.

On July 8, 1974, the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, requested us to conduct case studies on general revenue sharing at 26 selected local governments throughout the country. The request was part of the Subcommittee's continuing evaluation of the impact of general revenue sharing on State and local governments. The Chairman requested information on

- the specific operating and capital programs funded by general revenue sharing in each jurisdiction;
- the fiscal condition of each jurisdiction;
- the impact of revenue sharing on local tax rates and tax laws, including an analysis of tax burden on residents of each jurisdiction;
- the percentage of the total budget of each jurisdiction represented by general revenue sharing;
- the impact of Federal cutbacks in several categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks;

- the record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law; and
- public participation in the local budgetary process and the impact of revenue sharing on that process.

Holt County, Nebraska, is one of the 26 local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON HOLT COUNTY

Holt County covers over 2,400 square miles in north-central Nebraska, near the South Dakota border and about 170 miles northwest of Omaha. The county is larger than either Rhode Island or Delaware. The 1970 census showed 12,933 people living in Holt County, primarily in rural areas. This was a 6 percent decrease from the 1960 population. Approximately one-third of the county's residents live in the city of O'Neill, the county seat. Other municipalities include the city of Atkinson (population 1,406) and six villages ranging from 70 to 561 persons.

The county's basic economic activities are agricultural: ranching, cattle feeding, and livestock marketing. Nearly 95 percent of county land area is in farms. Irrigation has helped stabilize the agricultural economy through greater productivity in grain crops. Additional acreage will be put into irrigated crop land when a reclamation project to transfer water from the Niobrara River by ditches is completed.

The county's civilian labor force totals nearly 5,000 persons; approximately one-third are in agriculture. The major nonagricultural employment situations are in wholesale and retail trade, services, and government. Only about 200 persons are in manufacturing occupations, and there is virtually no unionization.

FORM AND STRUCTURE OF THE
COUNTY GOVERNMENT

Holt County is governed by a seven-member board of supervisors. Board members are elected to 4-year terms and select a chairman from among themselves. The board meets twice a month and handles administrative matters that require its attention through 10 functional committees: courthouse, finance, printing, tax, bridges, bonds, roads, claims, insurance, and settlement of county officers. Generally, three board members are assigned to each committee.

The board approves the budgets and authorizes expenditures for all county operations. It also approves the property tax levies for the county as well as for the municipalities, townships, school districts, and other special districts within county boundaries.

The administration of most county departments and activities is the responsibility of the following elected officials:

County clerk
County treasurer
County assessor
Clerk of the district court
Sheriff
County superintendent (of schools)
County attorney

Other departments and activities are administered by appointive officials. The county board appoints the superintendent of roads, the county agricultural agent, and the members of the Veterans Service Commission which in turn appoints the county veterans service officer. The county welfare director is a State employee, although the other welfare office staff members are county employees.

There are many types of governmental units in Holt County; their geographic boundaries sometimes overlap. In addition to the 8 municipalities, there are 37 townships. Governed by elected township boards, these townships range in size (1970 census) from 18 to 1,933.

County services to residents consist of

- county road maintenance,
- financial assistance for medical and other needs to residents with economic hardships,
- law enforcement by the sheriff,
- administrative services by the clerk, treasurer, and assessor,
- weed control, and
- county fair operation.

Various other services are provided to county residents by other governmental units and private organizations. Municipalities provide maintenance of streets and highways, police and fire protection, sewerage and sanitation, parks and recreation, and water. Townships maintain township roads and provide library services. School districts provide educational services. Special districts provide rural fire protection and soil use and conservation services. Private organizations provide hospital and medical services, utilities, and bus transportation services. The State provides financial assistance for medical and nonmedical needs of the indigent, police protection on State highways, park services in Atkinson, and agricultural services by the county agent. It also maintains State roads and highways.

REVENUE SHARING ALLOCATION

Revenue sharing funds are allocated according to a formula in the Revenue Sharing Act. The amount available for distribution within a State is divided into two portions--one-third for the State government and two-thirds for all eligible local governments within the State.

The local government share is allocated first to the State's county areas (these are geographic areas, not county governments) using a formula which takes into account each county area's population, general tax effort, and

relative income. Each individual county area amount is then allocated to the local governments within the county area.

The act places constraints on allocations to local governments. The per capita amount allocated to any county area or local government unit (other than a county government) cannot be less than 20 percent, nor more than 145 percent, of the per capita amount available for distribution to local governments throughout the State. The act also limits the allocation of each unit of local government (including county governments) to not more than 50 percent of the sum of the government's adjusted taxes and inter-governmental transfers. Finally, a government cannot receive funds unless its allocation is at least \$200 a year.

To satisfy the minimum and maximum constraints, the Office of Revenue Sharing uses funds made available when local governments exceed the 145 percent maximum to raise the allocations of the State's localities that are below the 20 percent minimum. To the extent these two amounts (amount above 145 percent and amount needed to bring all governments up to 20 percent) are not equal, the amounts allocated to the State's remaining unconstrained governments (including county governments) are proportionally increased or decreased.

Holt County was not constrained at the 50 percent level in any of the first four entitlement periods (January 1, 1972, through June 30, 1974), but constraints applied to other governments in the State resulted in an increase in Holt County's allocation. Our calculations showed that if the allocation formula were applied in Nebraska without all the act's constraints, Holt County's allocation for the period January 1, 1972, through June 30, 1974, would have been \$389,269, slightly less than its actual allocation and payment of \$407,521. This included \$40,948 received in July 1974.

The following schedule compares revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Holt County with McPherson County and Sarpy County--which received the highest and lowest per capita amounts, respectively, of the State's 93 counties--and with Saline County, whose population of 12,809 is close to Holt County's 12,933.

<u>County</u>	<u>Revenue sharing funds received for the period</u> <u>January 1, 1972, through June 30, 1974</u>		
	<u>Received</u> <u>(note a)</u>	<u>Per capita</u> <u>share</u>	<u>As a percent of</u> <u>taxes (note b)</u>
Holt	\$407,521	\$31.51	38.9
McPherson	42,401	68.06	32.1
Sarpy	621,072	9.38	20.2
Saline	408,856	31.92	22.3

^aIncludes payment received in July 1974 for quarter ended June 30, 1974.

^bFiscal year 1971 and 1972 taxes, as defined by the Bureau of the Census, were used and adjusted to correspond to the 2-1/2-year period covered by the revenue sharing payments.

The total revenue sharing received by the 93 county governments in Nebraska for the same period was \$4,481,172, or a per capita amount of \$23.21.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

County finances are administered through 11 separate funds, including the following operating funds that handle normal county operations. These include the general fund and seven special assessment funds described below.

1. General fund--finances administrative requirements of all county departments and offices, including salaries, supplies and materials, office equipment purchases, and repair and maintenance of county property used in providing administrative services. Revenue sources include property tax levies, reimbursements from State-levied taxes and fees, county fees, fines and commissions, interest on investments, and miscellaneous.
2. Road fund--finances requirements for road improvement and for repair and maintenance, including nonadministrative salaries, materials, supplies, equipment purchases, and related construction projects. Revenue sources include property tax levy, State reimbursements, and miscellaneous.
3. Relief fund--finances the county's nonmedical financial assistance requirements. Established for unemployment relief, it is now used primarily for pauper burials. Revenue sources include family reimbursements, property tax levy from prior years, and State reimbursements.
4. Medical fund--finances hospital and medical care to residents unable to pay. Revenue sources include property tax levy, State reimbursements, and refunds from recipients.
5. Soldiers and sailors relief fund--finances welfare assistance to eligible veterans. Revenue sources include property tax levy and State reimbursements.

6. Institution fund--finances the county's pro-rata requirement to the State for county residents receiving care in State institutions who are unable to pay. Revenue sources include property tax levy and State reimbursements.
7. Fair fund--finances the County Agricultural Society, whose sole purpose is sponsoring the annual county fair. Revenue sources include property tax levy, State reimbursements, and miscellaneous.
8. Weed control fund--finances spraying and other weed control measures throughout the county. Revenue sources include property tax levy, State reimbursements, payments from residents for services and materials, and miscellaneous.

One special--and temporary--fund, the reappraisal fund, was established in fiscal year 1975 to meet the State requirement to completely reappraise all county real estate. Revenues from this special assessment fund will be raised entirely by property tax levy.

Other funds include the inheritance fund and the revenue sharing fund. The inheritance fund consists of the inheritance tax returned to the county by the State. Except for minor court costs incurred by the county in inheritance cases, this fund is transferred to the general or road funds. The revenue sharing fund is an expendable trust fund established at the suggestion of the State. It consists of all Federal revenue sharing receipts, the interest earned on these funds, and the actual expenditures made. All expenditures made were for county road purposes.

RELATIONSHIP OF REVENUE SHARING TO THE BUDGET

Revenue sharing funds received by Holt County through June 30, 1974, totaled \$366,573. The county followed the advice of the State Auditor's office and did not budget any revenue sharing funds in fiscal year 1973. In 1974 revenue sharing accounted for \$333,455, or 20.1 percent of the county budget and 6.3 percent of the combined county and school budgets. The \$33,118 not budgeted as of June 30, 1974, amounted to 2.0 percent of the county's 1974 budget.

This amount was not budgeted because county officials were not sure of the exact amount that would be available to them during the year.

<u>Holt County</u>	<u>Fiscal year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
County budget:			
Operating funds	\$1,087,686	\$1,349,263	\$1,282,362
Other funds	<u>40,000</u>	<u>33,500</u>	<u>376,905</u>
Total	<u>1,127,686</u>	<u>1,382,763</u>	<u>1,659,267</u>
School districts' budgets:			
Operating funds	3,031,353	3,142,024	3,240,212
Special funds	<u>475,108</u>	<u>323,985</u>	<u>364,058</u>
Total	<u>3,506,108</u>	<u>3,466,009</u>	<u>3,604,270</u>
Total	<u>\$4,634,147</u>	<u>\$4,848,772</u>	<u>\$5,264,537</u>
Revenue sharing payments received	-	\$196,399	\$170,174
Revenue sharing funds budgeted	-	-	\$333,455
Cumulative revenue sharing payments received but not budgeted	-	\$196,399	\$33,118
Percentage of county budget represented by revenue sharing	-	-	20.1
Percentage of county and school districts' budgets represented by revenue sharing	-	-	6.3

Our analysis of the three most recent county budgets on a departmental basis showed the road department accounting for 59 to 64 percent of the budgets. The county clerk's office and the county assessor's office accounted for 12 to 15 percent, with the remaining departments and offices accounting for 23 to 26 percent. The following table shows total departmental budgets for fiscal years 1973-75.

<u>Department</u>	<u>Budgeted amounts by fiscal year</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Board of supervisors	\$ 48,404	\$ 48,350	\$ 58,771
County clerk	145,946	140,500	140,948
County treasurer	38,184	40,990	44,926
Clerk of district county	25,369	29,106	42,599
County court	17,453	6,926	7,950
County sheriff	35,257	44,840	72,021
County superintendent	20,255	21,000	23,163
County assessor	65,845	66,800	127,129
County attorney	24,356	30,410	29,164
Highway superintendent (note a)	814,693	1,065,245	1,167,128
Agricultural extension service	18,631	21,625	25,061
Veterans service	16,703	17,175	18,908
Welfare	83,600	86,950	88,100
Fair board	10,000	14,000	16,000
Weed control	18,067	20,350	23,373
Historical society		5,000	
Total	<u>\$1,382,763</u>	<u>\$1,659,267</u>	<u>\$1,885,241</u>

^aIncludes revenue sharing funds of \$333,455 for 1974 and \$199,827 for 1975.

PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

County budget formulation starts at the department level. In early June, each department or office prepares and submits its budget to the county clerk. In late June, the clerk consolidates these budgets into the overall county budget. In early July, the county board of supervisors reviews the budget and makes needed changes. In accordance with Nebraska law, the budget and a notice of public hearing are published in two newspapers (in O'Neill and Atkinson). The stated purpose of these hearings is to hear taxpayers' opinions and to consider amendments relative thereto. The notice also informs the taxpayers that further details are available at the county clerk's office.

In late August, the board considers amendments and adopts the final budget. The adopted budget must be delivered to the State Auditor on or before September 1.

The capital budget items are prepared along with and as part of the regular budget. The only special process involves the road department, where road hearings are held in January regarding the county's 1- and 6-year road plans including improvements. These plans are amended as necessary and adopted by the board before the normal budgetary process is initiated.

Holt County did not take any special steps to publicize the uses of revenue sharing or to encourage public participation in the planned use of these funds. The published county budget showed the revenue sharing fund as a separate item. The county clerk published the planned and actual use reports, which listed county uses of revenue sharing under the category of "Public Transportation." Although these reports did not show the actual types of expenditures, the county clerk maintained--for any interested taxpayer--supportive material describing the use of these funds.

Revenue sharing funds were used exclusively on county roads. The hearings for planned road improvements were generally well attended, according to county officials. In contrast, there was little public interest evidenced in the final budget hearings. The minutes of these hearings referred to this nonresponse.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Holt County was allocated \$407,521 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$366,573 was received by June 30, 1974, and \$40,948 was received in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$5,020. Of the \$412,541 available for use, the county has expended \$328,754, leaving \$83,787 in unobligated revenue sharing funds.

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Holt County's financial records. As we have pointed out in earlier reports on the revenue sharing program ("Revenue Sharing: Its Use by and Impact on State Governments," B-146285, Aug. 2, 1973, and "Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974), fund "uses" reflected by the financial records of a recipient government are accounting designations of uses. Such designations may have little or no relation to the actual impact of revenue sharing on the recipient government.

For example, in its accounting records, a government might designate its revenue sharing funds for use in financing environmental protection activities. The actual impact of revenue sharing on the government, however, might be to reduce the amount of local funds which would otherwise be used for environmental protection, thereby permitting the "freed" local funds to be used to reduce tax rates, to increase expenditures in other program areas, to avoid a tax increase or postpone borrowing, to increase yearend fund balances, and so forth.

Throughout this case study, when we describe the purposes for which revenue sharing funds were used, we are referring to use designations as reflected by county financial records.

Functional uses

Revenue sharing funds were used exclusively to finance activities of the road department. The county expended \$91,533 to purchase road materials for repair and upkeep of existing roads. Another \$237,221 was expended for building, construction materials, and equipment for road improvements.

Specific uses

The expenditures for operations and maintenance included \$83,309 for gravel, sand, and dirt, and \$8,224 for asphalt to patch roads. Capital expenditures included \$153,814 for asphalt to pave roads, \$25,270 for constructing a steel building to store road equipment, and \$58,137 for road equipment, including \$36,637 for a new tractor/scrapper and \$21,500 for a used dragline.

The road materials and road equipment purchased with revenue sharing funds were used with materials and equipment purchased with funds from the county's road fund to do the required maintenance and improvements scheduled in the 1- and 6-year road plans. The road work was generally scheduled and performed throughout the county, and no pattern of favored treatment for a given area was evident. We were informed that the county has no racial minority population and that no complaints of discrimination had been made.

Plans for unobligated funds

The stated plan for using the unobligated revenue sharing funds is to continue using these funds to purchase materials and/or equipment for road purposes.

ACCOUNTING FOR REVENUE SHARING FUNDS

Holt County accounts for its Federal revenue sharing money through a separate revenue sharing fund. This is an expendable trust fund maintained separately from other funds.

When revenue sharing payments are received, they are deposited in one of the county's bank accounts, and appropriate credit is given to the revenue sharing fund. Revenue sharing funds are actually commingled with other funds, but a strict accounting is made of all revenue sharing money. The board of supervisors decides whether the funds received should be invested in time deposits or left in the regular bank account to cover authorized expenditures. All decisions on using revenue sharing funds are made by the board.

Interest earned on revenue sharing funds is left on deposit with other county funds, but appropriate accounting credit is given to the revenue sharing fund. When the board authorizes an expenditure, the county clerk issues a prenumbered revenue sharing "warrant" (check) drawn on the county's bank account authorizing payment from county moneys. The canceled warrants returned by the bank are posted by the county treasurer to the revenue sharing fund account.

The accounting procedures followed for other county funds are essentially the same.

AUDITS OF REVENUE SHARING

Since the inception of the revenue sharing program, Holt County has been audited only by the Nebraska State Auditor of Public Accounts. No audits have been made by the Office of Revenue Sharing or by independent auditors. The latest State audit was performed as of June 30, 1973, and the report was issued on November 30, 1973. The audit included a detailed audit of all revenues, including a verification of proper distribution and apportionment of revenues and an examination of disbursements, including a detailed examination of expenditures, remittances to other political subdivisions, and transfers to other county funds. The report covers compliance with pertinent State regulations but not with matters related to revenue sharing. The State Auditor's examination period preceded the expenditure or obligation of any revenue sharing funds, and it covered only the receipt of Federal revenue sharing, the interest recorded thereon, and the balance per accounting records.

CHAPTER 4

COMPLIANCE PROVISIONS

OF THE REVENUE SHARING ACT

The act provides that, among other requirements, each recipient shall

- create a trust fund in which funds received and interest earned will be deposited. Funds will be spent in accordance with laws and procedures applicable to expenditure of the recipient's own revenues;
- use fiscal, accounting, and audit procedures which conform to guidelines established by the Secretary of the Treasury;
- not use funds in ways which discriminate because of race, color, national origin, or sex;
- under certain circumstances, not use funds either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution;
- observe requirements of the Davis-Bacon Act on certain construction projects in which the costs are paid out of the revenue sharing trust fund;
- under certain circumstances, pay employees who are paid out of the trust fund not less than prevailing rates of pay; and
- periodically report to the Secretary of the Treasury on how it used its revenue sharing funds and how it plans to use future funds. The reports shall also be published in the newspaper, and the recipient shall advise the news media of the publication of such reports.

Further, local governments may spend funds only within a specified list of priority areas.

For purposes of this review we gathered selected information relating to the nondiscrimination, Davis-Bacon, and prevailing wage provisions.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with general revenue sharing funds.

County officials informed us that there are no racial minorities residing in the county. Therefore, our review was limited to obtaining data relating to possible sex discrimination.

Comparison of local government work force and civilian labor force

The available labor force in Holt County, according to the 1970 census, shows the following breakdown by sex.

	<u>Civilian labor force</u>		
	<u>Total</u>	<u>Male</u>	<u>Female</u>
Civilian labor force:			
Number	4,571	3,153	1,418
Percent	100	69	31

Data compiled by the Nebraska Department of Labor shows that in 1971 the average labor force was 4,860 (3,535 males and 1,325 females), with 1,650 males in agriculture. Women comprise about 27 percent of the total labor force, and about 41 percent of the nonagricultural labor force.

As of June 30, 1974, the county government had a full-time work force of 71 persons--45 males (63 percent) and 26 females (37 percent). Twenty of the 26 female employees held clerical jobs while 4 held administrator positions.

County officials said there has been little change in the ratio of female employees in recent years. Most of the clerical positions have been always occupied by females, and the females in administrator positions have occupied them for several years.

County officials and Equal Employment Opportunity Commission (EEOC) district officials informed us that there have been no discrimination complaints or suits against Holt County. EEOC district officials said there were rarely any complaints in rural areas such as Holt County. We were unable to identify any viable organizations or groups within the county that would be concerned with equal opportunity practices.

Revenue sharing was used exclusively to provide materials and equipment for county road projects. These projects, involving maintaining and improving roads, have been scheduled throughout the county with no indication of favoritism for one area over others.

DAVIS-BACON PROVISION

The Revenue Sharing Act provides that all laborers and mechanics, employed by contractors and subcontractors to work on any construction project of which 25 percent or more of the cost is paid out of the revenue sharing trust fund, shall be paid wage rates which are not less than rates prevailing for similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

Office of Revenue Sharing regulations implementing this provision require that contracts exceeding \$2,000 shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics as determined by the Secretary of Labor. Further, the contract shall stipulate that the contractor shall pay wage rates not less than those stated in the specifications, regardless of any contractual relationship alleged to exist between the contractor and such laborers and mechanics. A further contract stipulation is that there may be withheld from the contractor so much of accrued payments as considered necessary by the contracting officer to pay to laborers and employees the difference between wage rates required by the contract and rates actually received.

The only recent construction project in Holt County was the construction in fiscal year 1974 of a storage building for road equipment. This project was financed entirely by revenue sharing through a formally advertised contract. However, the county did not obtain the report of prevailing wages from the U.S. Department of Labor before soliciting bids, as required by Office of Revenue Sharing regulations. County officials said they were unaware of this requirement and did not know what the impact would have been had it been followed. County officials further stated that, as a rule, the county board does not authorize expenditures which would be out of line with other normal expenses. Therefore, had compliance with the Davis-Bacon provision required that the contractor pay wages higher than those prevailing in the county, it is doubtful the board would have approved such an expenditure.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part out of the revenue sharing trust fund shall be paid at rates which are no lower than the prevailing rates for persons employed in similar public occupations by the recipient government. The individuals covered by this provision are those in any category where 25 percent or more of the wages of all employees in the category are paid from the trust fund.

Revenue sharing funds were not used to pay wages or salaries of county employees; therefore, the prevailing wage provision of the act was not applicable in Holt County.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

Holt County has maintained a surplus balance for fiscal years 1970-74. Although some funds show increased balances, there has been a downward trend in the cumulative yearend balances since 1971. While the county, in accordance with Nebraska law, does not deficit-finance, expenditures have in some years exceeded revenues. The following table shows the balances for the major funds and groups of funds for the fiscal years 1970-74.

	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
General					
fund	\$113,006	\$124,217	\$158,068	\$186,473	\$199,226
Road fund	385,312	469,942	354,942	124,921	201,399
Financial					
assist-					
ance					
funds					
(note a)	37,066	21,303	50,563	61,148	62,635
Revenue					
sharing					
fund	-	-	-	197,955	42,335
Miscella-					
neous					
funds					
(note b)	<u>65,290</u>	<u>106,428</u>	<u>40,838</u>	<u>18,301</u>	<u>20,146</u>
Total	<u>\$600,674</u>	<u>\$721,890</u>	<u>\$604,411</u>	<u>\$588,798</u>	<u>\$525,741</u>

^aIncludes relief, medical, soldiers and sailors relief, and institution funds.

^bIncludes fair, Holt County weed control, and inheritance funds.

During fiscal years 1970-74, total county revenues increased by 41 percent and total expenditures increased by 52 percent. The following table shows the total revenues and expenditures for each of the fiscal years 1970-74.

<u>Fiscal year</u>	<u>Total for county (all funds)</u>	
	<u>Revenues</u>	<u>Expenditures</u>
1970	\$ 982,181	\$ 953,713
1971	1,103,044	981,829
1972	1,023,874	1,141,353
1973	1,319,354	1,334,967
1974	1,387,191	1,450,249

County officials said the major factors behind the increase in expenditures were the spiraling costs of oil products used in road work (road oil, asphalt, fuel, etc.) and higher personnel costs.

Holt County does not maintain separate pension funds for its employees. County employees are covered under the social security system.

INDEBTEDNESS

Holt County has no outstanding debt and has no plans to use debt financing in the future. County policy has been to finance operations on a pay-as-you-go basis. State statutes impose few restrictions on the amount and types of general obligation bonds that counties may issue. Bond issues generally require approval by a majority vote of electors or, in some cases, a majority vote of the county board.

In general, county officials said, the county's financial status is healthy and its overall economic condition is sound, with a prosperous agricultural outlook. Revenue sharing has helped avoid higher tax levies, during a period of increased county expenditures, and enabled the county to increase expenditures for county roads.

TAXATION

Major taxes levied

The property tax is the only county tax. The tax rates levied by the county and other political subdivisions are applied against both real estate and personal property. The personal property tax applies to tangible property, such as automobiles, business inventories, and farm equipment.

The property tax has several exemptions and exclusions. The homestead exemption applies to real estate used as a residence. It excludes from taxation 25 percent of actual value if the property is valued at \$1,500 or less, and 20 percent if the property is valued at over \$1,500. The maximum exemption is \$800. More extensive exemptions were permitted low-income elderly residents and elderly and disabled veterans. Household goods and furnishings are excluded from the personal property tax.

Beginning in 1973, a system was initiated for exempting 12-1/2 percent of the value of personal property. This exemption will increase annually in increments of 12-1/2 percent until 1977, when it will reach 62-1/2 percent. The State reimburses the county on a dollar-for-dollar basis for the amount of tax revenues lost as a result of this exemption.

The property tax is also used for raising revenues by municipalities, townships, school districts, and fire protection districts within the county, as well as by multi-county reclamation, natural resources, and educational-type districts.

Nebraska requires that property be assessed at 35 percent of actual value. However, property in Holt County has not been reassessed for about 12 years. A county-commissioned reappraisal was used for the 1971 tax levy but, after many citizen complaints, the county board and State Auditor's office refused to accept the new assessments. Funding for a new reappraisal is included in the 1975 budget. In 1973 the assessed valuation averaged about 24 percent of the retail sales price of urban property in Holt County.

As shown below, the county tax rate remained relatively constant until fiscal year 1975, when it was increased substantially.

<u>Fiscal year</u>	<u>Tax rate</u> (mills)	<u>Tax requirement</u>
1971	5.880	\$401,728
1972	6.935	440,535
1973	5.884	384,541
1974	6.886	477,039
1975	9.697	760,374

The 1971 tax rate was based on a reappraised real estate base which was later revoked. The 1972 levy was larger than usual because of the requirement to refund from the general fund the overpayments of 1971 real estate taxes resulting from the revoked reassessments. The higher tax levies in 1974 and 1975 resulted primarily from increases in road fund requirements as well as the additional requirement in 1975 for the reappraisal of real estate.

Taxing limitations

The State constitution sets a limit of 5 mills on actual value as the maximum property tax which can be levied by counties. However, this limit equals 14.285 mills on assessed value since assessments are at 35 percent of actual value. This limit may be exceeded only by a majority vote of the electors. A statutory limitation of 10 mills on assessed valuation for ordinary county revenue (i.e., general fund) has been set by the State legislature, for counties of more than 9,000 population. In Holt County, the general fund levy for fiscal year 1975 is 3.141 mills.

Taxes authorized for counties in Nebraska, but not used by Holt County, include property tax levies for general obligation bonds. Other taxes, whose receipts would be shared with the State or other governmental subdivisions, include taxes on credit union interest income, bingo receipts, and grain and seed production and handling.

Family tax burden

We calculated the 1973 tax burden for residents of O'Neill, the largest city in Holt County, by assuming such things as level of income, size of family, and value of real property holdings for three hypothetical families (see p. 24). Each of the three families depicted had four family members, had income solely from wages earned by the head of the household, and owned a home having a market value equal to 2-1/2 times that of the annual income. The annual incomes of families A, B, and C totaled \$7,500, \$12,500, and \$17,500, respectively. Families A and B each owned one automobile and used 1,000 gallons of gasoline. Family C owned two automobiles and used 1,500 gallons of gasoline. Each family owned personal property (all furniture) valued at 20 percent of annual income.

Holt County residents are also subject to various other State taxes which are not included in the table on page 24. The more common of these taxes follow.

Alcoholic beverages:

Alcohol and spirits	\$2.00 per gallon
Beer	.10 per gallon
Wine	.20 to .55 per gallon
Cigarettes	.13 per package

The burden of these taxes varies with consumption.

<u>Tax</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
County:			
Real property	\$ 43.26	\$ 73.39	\$ 103.51
Personal property	<u>4.03</u>	<u>6.51</u>	<u>7.71</u>
Total	<u>47.29</u>	<u>79.90</u>	<u>111.22</u>
City:			
Real property	122.51	207.82	293.13
Personal property	<u>11.41</u>	<u>18.43</u>	<u>21.84</u>
Total	<u>133.92</u>	<u>226.25</u>	<u>314.97</u>
Township (note a):			
Real property	7.19	12.19	17.20
Personal property	<u>.67</u>	<u>1.08</u>	<u>1.28</u>
Total	<u>7.86</u>	<u>13.27</u>	<u>18.48</u>
Special districts (note b):			
Real property	22.07	37.45	52.80
Personal property	<u>2.07</u>	<u>3.33</u>	<u>3.93</u>
Total	<u>24.14</u>	<u>40.78</u>	<u>56.74</u>
School District No. 7:			
Real property	266.29	451.73	637.17
Personal property	<u>24.80</u>	<u>40.05</u>	<u>47.47</u>
Total	<u>291.09</u>	<u>491.78</u>	<u>684.64</u>
State:			
Income	23.44	130.14	270.15
Sales	94.00	126.00	154.00
Gasoline	<u>85.00</u>	<u>85.00</u>	<u>127.50</u>
Total	<u>202.44</u>	<u>341.14</u>	<u>551.65</u>
Total State and local:			
Real property	461.32	782.58	1,103.82
Personal property	42.98	69.40	82.23
Income	23.44	130.14	270.05
Sales	94.00	126.00	154.00
Gasoline	<u>85.00</u>	<u>85.00</u>	<u>127.50</u>
Total	<u>\$706.74</u>	<u>\$1,193.12</u>	<u>\$1,737.60</u>
Total as percentage of income	<u>9.4</u>	<u>9.5</u>	<u>9.9</u>

^aO'Neill is in Grattan Township and residents are subject to its tax levy.

^bCombined levy of reclamation district, vocational trade school district, educational service unit 8, and Upper Elkhorn natural resource district. O'Neill is included in each of these special districts.

CHAPTER 6

OTHER FEDERAL AID

Except for revenue sharing, Holt County has not received any funds directly from the Federal Government during fiscal years 1971-74. Moreover, we could find no evidence that the county receives any Federal aid indirectly through the State. State funding received by the county includes the State highway allocation, the rebate of State-levied taxes, and the pro-rata return of personal and real property exemptions. The highway allocation comprises nearly 80 percent of State aid. Nebraska State Road Department officials said no Federal funds were included in the county's highway allocation.

CHAPTER 7

SCOPE OF REVIEW

Our review of revenue sharing activities in Holt County, Nebraska, involved a visit to the county offices in O'Neill, the county seat. We discussed county operations and the uses of revenue sharing funds with county officials. The appropriate budgetary and financial records and reports were reviewed. Information describing the county and its activities was obtained from the local newspaper and chamber of commerce. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

Officials of Holt County reviewed this case study, and we considered their comments in finalizing it.

APPENDIX I

APPENDIX I

COUNTY GOVERNMENT WORK FORCE
HOLT COUNTY, NEBRASKA
JUNE 30, 1974

Job category	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
All departments:						
Officials	7	9.9	-	-	7	9.9
Administrators	5	7.0	4	5.6	9	12.6
Professionals	-	-	1	1.4	1	1.4
Protective services	2	2.8	-	-	2	2.8
Office/clerical	-	-	20	28.2	20	28.2
Service/maintenance	31	43.7	1	1.4	32	45.1
Total	45	63.4	26	36.6	71	100.0
County clerk's office:						
Officials	1	25.0	-	-	1	25.0
Administrators	-	-	1	25.0	1	25.0
Office/clerical	-	-	2	50.0	2	50.0
Total	1	25.0	3	75.0	4	100.0
Treasurer's office:						
Officials	1	20.0	-	-	1	20.0
Administrators	-	-	1	20.0	1	20.0
Office/clerical	-	-	3	60.0	3	60.0
Total	1	20.0	4	80.0	5	100.0
Sheriff's office:						
Officials	1	20.0	-	-	1	20.0
Protective services	2	40.0	-	-	2	40.0
Office/clerical	-	-	2	40.0	2	40.0
Total	3	60.0	2	40.0	5	100.0
Assessor's office:						
Officials	1	25.0	-	-	1	25.0
Administrators	1	25.0	1	25.0	2	50.0
Office/clerical	-	-	1	25.0	1	25.0
Total	2	50.0	2	50.0	4	100.0
Road department:						
Administrators	1	3.1	-	-	1	3.1
Office/clerical	-	-	1	3.1	1	3.1
Service/maintenance	30	93.8	-	-	30	93.8
Total	31	96.9	1	3.1	32	100.0
Welfare office:						
Administrators	-	-	1	12.5	1	12.5
Professionals	-	-	1	12.5	1	12.5
Office/clerical	-	-	6	75.0	6	75.0
Total	-	-	8	100.0	8	100.0
Other departments:						
Officials	3	23.1	-	-	3	23.1
Administrators	3	23.1	-	-	3	23.1
Office/clerical	-	-	5	38.6	5	38.6
Service/maintenance	1	7.6	1	7.6	2	15.2
Total	7	53.8	6	46.2	13	100.0

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

COUNTY GOVERNMENT NEW HIRES
HOLT COUNTY, NEBRASKA
YEAR ENDED JUNE 30, 1974

<u>Job category</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
All departments:						
Officials	2	11.8	-	-	2	11.8
Protective services	1	5.9	-	-	1	5.9
Office/clerical	-	-	7	41.2	7	41.2
Service/maintenance	7	41.2	-	-	7	41.2
Total	<u>10</u>	<u>58.8</u>	<u>7</u>	<u>41.2</u>	<u>17</u>	<u>100.0</u>
Clerk's office:						
Office/clerical	-	-	1	100.0	1	100.0
Sheriff's office:						
Protective services	1	50.0	-	-	1	50.0
Office/clerical	-	-	1	50.0	1	50.0
Total	<u>1</u>	<u>50.0</u>	<u>1</u>	<u>50.0</u>	<u>2</u>	<u>100.0</u>
County attorney's office:						
Officials	1	50.0	-	-	1	50.0
Office/clerical	-	-	1	50.0	1	50.0
Total	<u>1</u>	<u>50.0</u>	<u>1</u>	<u>50.0</u>	<u>2</u>	<u>100.0</u>
Clerk of the district court:						
Officials	<u>1</u>	<u>100.0</u>	-	-	<u>1</u>	<u>100.0</u>
Road departments:						
Service/maintenance	<u>7</u>	<u>100.0</u>	-	-	<u>7</u>	<u>100.0</u>
Welfare office:						
Office/clerical	-	-	3	100.0	3	100.0
County agent's office:						
Office/clerical	-	-	1	100.0	1	100.0

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

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